

MINUTES  
Highway Expansion and Extension Loan Program  
Advisory Committee Meeting  
May 4, 1999

Committee members attending:

Mary Peters, Director ADOT  
Gary Magrino, Yuma  
Tami Ryall, Gilbert  
Bruce Hilby, Phoenix

Cliff Potts, Payson  
Paul Schwartz, Sun City  
Jeff Martin

Others present:

Suzanne Sale, ADOT  
Laurie Woodall, Attorney Generals Of.  
William Hayden, ADOT  
Vicki Tsutsumida, FHW A  
Don Herp, City of Phoenix

John McGee ADOT  
Esther Corbett, Inter Tribal Council of Az.  
Tim Ahrens, ADOT  
Ellen Damron, ADOT  
Evamae Nye, ADOT

Call to Order and Opening Remarks

Chairperson Mary Peters called the meeting to order at 1 :08 p.m. Ms. Peters informed the Committee that the HELP legislation, SB 1201, had passed out of the Senate and would be sent to the Governor for signing. It was hoped that the Committee would be able to participate in a bill signing ceremony.

The Chair turned the meeting over to Suzanne Sale. Ms. Sale announced that she would be leaving the agency to make a career move to Federal Highways Administration as a Senior Financial Advisor. She stated that she will be able to work with state DOT's across the country in advancing innovative financing techniques. Ms. Sale expressed her sentiments for ADOT and stated that she was sorry that she was not able to be at ADOT to implement the HELP capitalization program. She stated that she will be able to work with ADOT in implementing the Grant Anticipation Note program.

Ms. Sale introduced John McGee, Financial Manager, who would be taking over the position of Chief Financial Officer, supporting the HELP program and other financing initiatives of the Department. Ms. Sale stated that he brings excellent background and experience so that the transition will be very smooth.

Several of the Committee members expressed their well wishes to Suzanne Sale in her new position and extended their appreciation for her expertise in the financial area and the work she has done to promote the HELP legislation and the guidance provided to HELP Advisory Committee.

Ms. Ryall asked if it would be possible to obtain the Governor's signing pen for Ms. Sale. The Advisory Committee voiced their support, and the Chairperson concurred.

The Chair called for a motion to approve the minutes of the April 6, 1999 meeting. Tami Ryall so moved and Jet! Martin seconded the motion. Motion passed unanimously. The Chair called for the adoption of the minutes of the April 6, 1999 Executive Session. The Executive Session minutes were not included in the agenda packet. The Committee members requested that the agenda item be deferred to the next meeting for in order to review the minutes more thoroughly.

## **Staff Report**

Ms. Sale reported that based on the Committee's request at the last meeting, a letter was sent to all of the transportation stakeholders regarding the extended time for the application submittal.

Ms. Sale reported on the status of the initial review of the applications for loans for the first round of funding. A matrix, reflecting the initial evaluation of the five applications, was included in the agenda packet for the meeting. This was a preliminary evaluation to determine whether the applicants and the projects met the preliminary evaluation criteria. Ms. Sale reviewed each project for the Committee. Considerable discussion took place regarding the projects. Two applications were deemed to be not eligible. The first was the project submitted by the City of Phoenix on the Squaw Peak Freeway, which is not a federal aid eligible project. Also \$61 million was requested. The money in the HELP fund now is federal money. On the first round of loans the monies can only be spent on a project or projects on the federal aid system. Once the monies are repaid for the acceleration of the Red Mountain or the Price Freeway, there will be dollars that could be applied for projects that are not on the federal aid system.

Pima Association of Governments (PAG) submitted a project for a study to look at the objectiveness of the freeway management system in Tucson area, which was also determined as ineligible. It was noted that the Committee previously had determined that feasibility studies are not eligible. Ms. Sale felt that this is an area that the Committee should readdress and clarify. Ms. Sale stated that it was the Committee's objective to ensure that the monies go to feasible projects, (i.e. lead to construction or least to a completion of a project), not studies.

Ms. Sale stated that there is another issue in terms of this project. It was requested by PAG, which is not an eligible borrower because PAG is not a political subdivision. A local sponsor within the PAG area could submit the project.

Discussion followed. It was noted that the COGs receive ample federal dollars for the feasibility studies, and the Committee would prefer not to have money spent on projects that do not accelerate or complete construction. It was also noted that there are other monies available specifically for freeway management projects that could be allocated to the PAG project.

It was reported that the City of Kingman loan met the initial criteria. The loan is requested for 10 years, which is the maximum loan period under the statutes. Ms. Sale

stated that she believed this is a future issue for the Committee to address in terms of the maximum length of a loan, given the benefit of utilizing the money more rapidly. The timeline is part of the evaluation process.

Ms. Sale presented a revised schedule based on the extended deadline for the first round of loans. With the action that the Committee took at the April meeting to extend the deadline for project submission to June, the evaluation would take place in the April - June period. In July, recommendations from the technical committee would be presented to the Committee. The Committee would have the opportunity to review the technical evaluation and then bring their recommendations to the State Transportation Board in the July -August time frame.

### **Update on Legislation**

Noting again that SB 1201 passed out of the Senate shortly before the Advisory Committee meeting convened, it was reported that the vote on SB 1201 was 23 to 5. Ms. Sale reviewed for the Committee, in summary form, the funding provided by SB 1201. Ms. Sale first addressed Board Financing Options (BFOs), the new funding mechanism. The first issuance would be in 2000, with a one-year maturity; the next the issuance in 2001 for BFOs would have a three-year maturity; and the final issuance in 2004 a four-year maturity. This schedule is very specific because the issuance is timed to cash flow needs on the regional freeway system for the accelerated plan. A total of \$300 million would be issued of Board Funding Obligations.

The second component of the funding package is the General Funds appropriation over three years beginning in 2001, \$60 million (\$20 million annually) will be appropriated to the HELP fund. While the authority for the BFOs expires in 2004, it is anticipated that the General Fund appropriations will continue to be available for loans.

Ms. Peters shared that there were certain "trigger mechanisms" in the state budget for this year. She reported the General Fund appropriation for HELP is not a "trigger mechanism", dependent on state revenues achieving certain levels.

Mr .Potts asked if the three appropriations from the General Fund actually stay in the HELP revolving fund. Ms. Sale reaffirmed that the General Fund appropriations are not repaid to the General Fund. These monies stay in the HELP fund available to the Advisory Committee to loan.

The Highway Fund appropriation in FY 2000 is paid back. The plan also calls for the use of existing Sill funds as part of the overall acceleration plan.

In terms of allocation by geographical area of the money available in SB 1201: 50% is allocated to Maricopa county; 25% to Pima County; and 25% to the rest of the state. Ms. Sale stated that the percentage allocation will be measured in terms of the overall program, not year by year allocations.

Ms. Peters reported that the states are still working diligently with the U.S Congress to get the State Infrastructure Bank reauthorized on the federal level.

Mr. Martin reported that the legislation (SB 1201) was amended in the House. Two last minute amendments were attached to the bill. One repeals the authority for a future excise tax in Maricopa County, and the other repeals potential new funding to the Regional Transportation Authority (RPTA) after 2005. Mr. Martin stated that the Transit Committee is very upset over what has happened. The Mesa City Council was very concerned and voted to voice their concerns on the issue.

Mr. Schwartz voiced his concern as a Board member for SCAT, which furnishes transportation for approximately 70,000 people in Sun City. He stated that service is not possible without the subsidy from the RPTA, and added that the Sun City organization will voice their protest to this action. Ms. Peters stated that ADOT was discouraged as well, but it may be possible to fix the legislation in the next year.

**Item 6, the Financial Status of HELP Fund was deferred to later in the meeting.**

#### **Timeline for Next Round of Applications for HELP Loans**

Ms. Sale stated that the handout was a "strawman" for the next round of loans based on the expanded capitalization provided by SB 1201. Ms. Sale asked for the Committee's input. Suzanne reported that legislation will not be effective until 90 days after the Governor signs the bill. The availability of the monies will be in the August time frame. What is envisioned is working with the development of the BFO financing instrument in parallel with the evaluation process.

Reviewing the tentative time line for the second round of applications, the staff would update the application package and brochure. Ms. Sale stated that as part of the update of the application package, the eligibility for studies issue will be clarified.

Ms. Sale raised the question as to whether the whole application package with the modifications has to come back to the State Transportation Board for approval. Ms. Sale reported that while she had not reviewed the issue with the Attorney General's Office, she believed that it did not. She reiterated that what is important in the application package are the criteria and points, which will not change. Ms. Sale asked for the Committee's input.

Discussion followed, and it was determined that the changes suggested were the timeline, editing changes and nothing substantive. No criteria would change and the points would remain the same. The package may also indicate to potential applicants how much money is available. The Committee members did not feel that these were substantive changes.

Ms. Peters concurred and asked if Ms. Woodall, Assistant Attorney General, would agree. Ms. Woodall had no objection.

The Chair entertained a motion that staff be authorized to make changes that are not substantive to the loan package and continue the process moving without having to come back before the group. Mr. Potts so moved, and Mr. Martin seconded the motion. The motion passed unanimously.

Continuing, Ms. Sale said that for Round Two of financial assistance, it is suggested that the application period be for June, July and August. This would give potential applicants three months to develop their application package. This will also have an impact on when the State Transportation Board could ultimately approve a project. The application would be due the first of September. It would give the Technical Committee an opportunity to evaluate the applications and bring them back to the HELP Advisory Committee with recommendations at the first meeting in October.

Discussion followed.

Mr. Ryall asked how the projects to be accelerated are going to be submitted. Ms. Sale reported, based on internal discussion, that the acceleration plan could be submitted as one application. She stated that the Committee and internal staff can have more dialogue on this issue at the June meeting.

Ms. Ryall asked for the cash flow analysis at the next meeting to see what is available for projects.

Mr. Magrino asked for clarification of the awarding of loans for projects. Ms. Sale stated that there are two tracks running at this time. One track is the applications submitted for the first round. SB 1201 impacts this money. She reported that there are balances available for Round One from existing funding. In addition, the \$20 million appropriated from the highway fund and \$10 million from the existing Sill that is earmarked under SB1201.

A discussion followed as to whether to award Round One projects or wait for the next round of projects to be considered at the same time. Members conveyed that the sponsors preparing their applications and submitting applications on time should be considered separately from Round Two projects. Jeff Martin noted that most of the projects submitted for Round One were small. Ms. Peters stated that it was her opinion that if the Committee received a good application in Round One, the Committee should proceed to award the loan or loans by the June/July of this year.

Ms. Sale stated that the Committee and the State Board had been positioned for making the first awards in the June/July time frame.

The second round of loans is dependent on the legislation and upon getting the BFO's funding in place.

The first awards under the new program can be made on October 5 and could be sent to the State Transportation Board on October 15. If there are additional requirements, an

outside date would be at the November Transportation Board meeting. It was also noted that the State Transportation Board could convene special meetings, if necessary. The Board meets the first week of the month in study session, and they also hold a regular meeting.

Paul Schwartz asked if there had been outreach to the tribal governments to see if they may have projects that would qualify under the HELP loan process.

Ms. Sale reported that Financial Management Services had an invitation to speak to the Inter Tribal Council from Ms. Corbett, and Ms. Sale provided an overview and discussed the time line. Both Ms. Sale and staff have been attending Council Government meetings and working with the sponsors.

Mr .Magrino stated that he would like to see a loan awarded in Round One to get some good publicity, along with some information on what the Committee is doing. Ms. Sale stated that even though the updated application package will not be available until the first week in June, getting information out on the WEB, how much money will be available and the time line will give some of the sponsors some lead time.

### **Financial Status of HELP Fund**

Ms. Sale distributed the financial analysis. She stated that the analysis is derived from the cash flow from the SIB program, based on existing monies, new monies and the repayment of the monies that have been loaned for the advancement of the Price and the Red Mountain projects. Ms. Sale reviewed the funding for each year.

Mr. Magrino asked for some type of descriptive accounting so that the Committee will be able to follow the flow of monies.

Ms. Peters suggested color-coding to follow the money flow.

Ms. Sale stated that the Financial Management Office will be developing the detailed accounting policies, procedures, and tracking system. The monies will be tracked when they are loaned and as they are repaid. She stated that her office is setting up a separate accounting structure for the monies that are made available from SB 1201 to ensure that the funding requirements and statutory obligations are met.

Ms. Sale reported that the staff will report monthly to the HELP Advisory Committee on the finance.

Discussion followed.

### **Conflict of Interest**

Mr. Martin requested that Item 8 on the Agenda, Conflict of Interest, (development of guidelines regarding conflict of interest) be deferred until the next meeting.

## **Statutory Requirements for Loans to Indian Tribes**

Ms. Sale addressed the requirement in the legislation that any awards for financial assistance to Indian tribes meet a criterion of demonstrating substantial benefit. Working with the Inter Tribal Council and Esther Corbett, preliminary research indicated that the requirement "substantial benefit" is not part of the Greater Arizona Development Authority (GADA) statutes, and not part of the Waste Water revolving statutes. Ms. Sale contacted Holly Hunnicut, legislative counsel, who handles transportation legislation, and who has drafted both this year's HELP bill and also the prior year's legislation, to research the history of that provision. Ms. Hunnicut has not responded at this time.

The Inter Tribal Council has designated Bob Jackson of the Colorado Indian tribe to work with ADOT staff. Tim Ahrens, ADOT, will meet with Bob Jackson and follow up with Holly Hunnicut.

Ms. Sale suggested that this item be put on the agenda for the next meeting to continue to report progress in resolving this issue.

Ms. Peters addressed Ms. Corbett to ask if she had any comments as it related to the agenda item.

Ms. Corbett addressed the group. She stated that she believed there may be two sections of highway on Indian land that may be eligible for the program.

Ms. Peters stated that she believes eligible projects should be on the Federal Highway System, National Highway System, State Highway System or a designated State route. Ms. Peters Stated that she was aware of some routes on the reservation that are on the National Highway System.

Ms. Sale suggested that we formally respond to Ms. Corbett and the Inter Tribal Council regarding the eligibility issues because as indicated under the federal program, once the monies are repaid, the monies could be used on roads across the reservation.

Ms. Corbett reported that the next meeting of the Council would be May 14. The Council has requested that Mr. Jackson report back at that meeting.

Ms. Corbett stated that she had just returned from a meeting, much like the Visions 21, where about 200 transportation issues were identified. One of the issues was the leveraging of funds and flexibility of funding. Ms. Peters stated that this has been an area where Ms. Sale has been very effective. She reported that she had met the prior week regarding the whole planning process with representatives of various councils of governments and metropolitan planning organizations. Ms. Peters stated as part of the process that the need to coordinate with tribal governments in Arizona as it relates to transportation was clearly recognized.

Ms. Peters requested that Tim Ahrens obtain a copy of the Casa Grande Resolves for Ms.

Corbett. Ms. Peters suggested that it might help her in terms of match and eligibility.

Mr. Martin suggested that the HELP Advisory Committee have a meeting somewhere outside the metropolitan area and that maybe the group could coordinate something with Esther.

### **Call to the Audience**

Mr. Herp stated that the City of Phoenix would like a letter of acknowledgment from the HELP Committee regarding the project that had been submitted by the city. He asked for clarification of the reason why the project was not eligible for federal aid. He stated that he was confused regarding the provisions of SB 1201. He would like to have a detailed cash flow for analysis.

Mr. Potts asked if the Committee would have further discussion on whether they are going to entertain the existing loan applications at the June meeting. Ms. Sale clarified that at a staff level we had planned on advising the Committee of any additional applications that came in by the revised due date of June 1. She stated that she did not believe that we will be in a position to have completed the evaluation. The plan was to come to the Committee at the first meeting in July. She stated that it would be very difficult to shorten that cycle, unless the Committee had a special meeting.

Mr. Potts requested that the loan applications be available for the June meeting.

Mr. Hilby asked for information on the amount of money that would be available on July 6, 1999. Ms. Sale stated that it depends upon the request and the length of the loan. The minimum amount available to loan would be approximately \$6.7 million. A preliminary cash flow on the applications received was run and it appears that all of the first eligible projects could be funded. She stated that it is a timing issue. The bottom line on the monies available is \$15 million.

Mr. Hilby asked for the information on the second round of loans. Ms. Sale said that if all of the available monies were loaned in the first round, then there would be \$30 million plus \$100 as part of the accelerated freeway plan (for MAG). Mr. Hilby added that it depends on when the funds would be delivered.

Mr. Hilby asked for information on the accelerated construction plan. Ms. Sale responded that the Board would be taking action on the accelerated plan in June. Staff will provide the Committee the draft plan.

Ms. Sale stated that the accelerated plan annual requirements could be treated as one project and believes that it would be the most efficient way to handle it rather than a project-by-project basis. ADOT is the borrower of the funds with interest paid out of the Regional Freeway Funds. Ms. Sale reported that the package, in order to meet the technical criteria in statutes, would have to demonstrate economic benefits. All of the eligibility criteria would have to be met.

Ms. Ryan asked the question regarding the Phoenix project whether or not they would be precluded for petitioning for the unallocated HELP monies. Ms. Sale responded that if they request additional acceleration beyond the program and would be willing to pay the interest costs, they would be eligible for monies.

Mr. Potts asked if we are obligated to the 50/25/25 formula for the unallocated monies for new loans. Ms. Sale said it applies to the new monies.

Mr. Hilby asked that when the cash flow chart is redone to have the amount shown as a line item for the statewide.

Discussion took place regarding recycling the money. Mr. Potts noted that Maricopa County will recycle the \$100 million three times in the next five years, and there is \$80 million statewide to be turned over almost four times in same period. Mr. Hilby stated that the statewide is under funded.

Ms. woodall distributed information on "conflict of interest.

Mr .Potts again thanked Ms. Sale for all of the work that she has done.

Mr. Hilby moved for adjournment. Ms. Ryan seconded the motion.

Meeting adjourned at 2:30 p.m.